

Message Text

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AMEMBASSY PARIS
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C O N F I D E N T I A L ROME 12670

E.O. 11652: GDS
TAGS: ETRD, ECIN, ECON, PINT, PFOR, IT, EEC
SUBJECT: AMBASSADOR HINTON'S DISCUSSION WITH REPRESENTATIVES
IF ITALIAN INDUSTRIALISTS

1. DURING US AMBASSADOR TO THE EC HINTON'S JULY 28 VISIT
WITH SENIOR OFFICIALS OF CONFEDERATION OF ITALIAN INDUSTRY
- CONFINDUSTRIA - (UMBRELLA ASSOCIATION OF PRIVATELY-OWNED
ITALIAN INDUSTRY), OUTGOING DIRECTOR GENERAL FRANCO MATTEI
AND NEW PRESIDENT (AND FORMER GOVERNOR OF THE BANK OF ITALY)
GUIDO CARLI MADE INTER ALIA THE FOLLOWING POINTS:
(A) MATTEI

-- ECONOMIC PICTURE: DESPITE RELATIVELY GOOD ECONOMIC SITU-
ATION -- BETTER THAN CONFINDUSTRIA HAD PREVIOUSLY EXPECTED
--, INFLATION REMAINED A VERY SUBSTANTIAL PROBLEM. PRINCIPLE
COMPONENTS OF INFLATION WERE UNCONTROLLED GOVERNMENT SPEND-
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ING, PARTLY DUE TO DEFICITS IN GOVERNMENT-CONTROLLED INDUS-

TRIES, AND SPIRALING LABOR COSTS. HOPEFUL SIGN WAS MORE REASONABLE ATTITUDE OF TOP LABOR UNION LEADERS TOWARDS NEED TO LIMIT WAGE INCREASES.

-- NEW GOVERNMENT: DUE TO ABSENCE OF BROAD SUPPORT AT POLITICAL AND/OR PROGRAMMATIC LEVEL, NEW ANDREOTTI GOVERNMENT SEEN AS WEAK AND PROBABLY UNABLE TO UNDERTAKE SERIOUS ECONOMIC PROGRAM NECESSARY TO CORRECT ITALIAN SITUATION. KEY TO GOVERNMENT STABILITY, ACCORDING TO MATTEI, WAS SUPPORT OF SOCIALIST PARTY (PSI). HOWEVER, PSI NEEDED TIME TO DIGEST ITS ELECTORAL DEFEAT BEFORE IT WOULD BE ABLE TO ATTEMPT TO COME TO UNDERSTANDING WITH CHRISTIAN DEMOCRATS (DC). MATTEI FORESAW GOVERNMENT CRISIS NO LATER THAN END OF 1976.

(B) CARLI

-- US-EUROPE: CARLI EXPRESSED GENERAL SATISFACTION WITH CURRENT DIRECTIONS OF US POLICY TOWARDS EUROPE. CHIEF AMONG EUROPEAN WORRIES HAD BEEN REVIVAL OF US ISOLATIONISM; RECENT DEVELOPMENTS HAD PUT THIS IN BETTER PERSPECTIVE. US POLICY STATEMENTS AND ACTIONS -- CARLI SINGLED OUT SECRETARY KISSINGER'S LONDON SPEECH AND PUERTO RICO CONFERENCE -- REAFFIRMING EUROPE'S KEYSTONE POSITION IN US FOREIGN POLICY CONCERNS HAD BEEN IMPORTANT AND REASSURING.

-- US-ITALY: BASIC US POSITION SHOULD DEMONSTRATE UNDERSTANDING OF ITALIAN POLITICAL AND ECONOMIC SITUATION. WHILE US SHOULD BE SUPPORTIVE, A MORE ACTIVE AND/OR DIRECT US ROLE -- QTE PRESSURE UNQTE -- IN ITALIAN AFFAIRS WOULD NOT RPT NOT BE WELCOME.

-- ITALIAN ECONOMIC POLICY: CARLI STATED THAT THE LIMITS OF MONETARY POLICY HAD BEEN DEMONSTRATED; SATISFACTORY FISCAL POLICIES WERE ALSO NECESSARY. HE WAS NOT OPTIMISTIC THAT THE NEW GOVERNMENT WOULD BE IN A POSITION TO UNDERTAKE THE MEASURES NECESSARY TO RESTORE ADEQUATE LEVELS OF DOMESTIC INVESTMENT WHILE CONTAINING INFLATIONARY FACTORS.

-- GOLD: RECENT DECLINE IN THE PRICE OF GOLD, ACCORDING TO CARLI, HAD WEAKENED GOI FOREIGN EXCHANGE POSITION AND HANDI-CONFIDENTIAL

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CAPPED GOI EFFORTS TO RAISE FURTHER FOREIGN LOANS. CARLI WAS INCLINED TO DOWNPLAY THE IMPORTANCE OF USSR SALES IN DEPRESSING THE PRICE OF GOLD.

2. COMMENT: CARLI ASSUMED THE PRESIDENCY OF CONFINDUSTRIA ON JULY 22; IT IS ALREADY OBVIOUS THAT HE INTENDS TO GIVE MAXIMUM EXPOSURE TO THE VIEWS OF ITALIAN PRIVATE INDUSTRY, A HIGH-PROFILE POLICY INITIATED UNDER HIS PREDECESSOR INDUS-

TRIALIST GIANNI AGNELLI (FIAT). CARLI'S DOMESTIC AND INTERNATIONAL PRESTIGE ASSURES THAT HIS VOICE WILL BE HEARD ALTHOUGH THE WEIGHT IT WILL CARRY REMAINS TO BE VERIFIED.

3. MATTEI, WHO HAS SERVED 23 YEARS WITH CONFINDUSTRIA AND HAS BEEN DIRECTOR GENERAL SINCE 1970, WILL RETIRE ON SEPTEMBER 1. HE WILL BE REPLACED BY CARLI-PROTEGE, DR. PAOLO SAVONA, FORMERLY WITH THE BANK OF ITALY (UNDER CARLI), AND DR. ALFREDO SOLUSTRI, FORMERLY CONFINDUSTRIA'S CENTRAL DIRECTOR FOR ECONOMIC RELATIONS, NOW ELEVATED TO CO-DIRECTOR GENERAL.
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